

## Message Text

LIMITED OFFICIAL USE

PAGE 01 USBERL 00777 01 OF 02 060841Z  
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00  
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 SS-15  
NSC-05 IO-13 /069 W  
-----011725 060848Z /11

P R 060730Z APR 78  
FM USMISSION USBERLIN  
TO SECSTATE WASHDC PRIORITY 6560  
AMEMBASSY BONN PRIORITY  
INFO AMEMBASSY BERLIN  
AMEMBASSY LONDON  
AMEMBASSY PARIS

LIMITED OFFICIAL USE SECTION 1 OF 2 USBERLIN 0777

E.O.11652: NA  
TAGS: EAIR, PGOV, WB, GW, UK, FR  
SUBJECT: CIVAIR: PANAM'S BUDGET FARE IN FRG AND BERLIN

REF: (A) BONN 05956, (B) STATE 085471

SUMMARY: PANAM TELLS US THAT IT ANNOUNCED BUDGET FARES, DESPITE MISGIVINGS, ON FIRM INSTRUCTIONS FROM NEW YORK HEAD-QUARTERS WHICH DISMISSED CONTENTION THAT CAA APPROVAL REQUIRED FOR INTERNATIONAL TARIFFS ON FLIGHTS TO AND FROM BERLIN. THERE HAS BEEN HEAVY MEDIA COVERAGE; PANAM BEING DELUGED WITH RESERVATIONS. LEADERS OF ALL THREE GERMAN POLITICAL PARTIES IN BERLIN HAVE WELCOMED FARE; IN ADDITION, OPPOSITION VDU HAS CRITICIZED FRG RESISTANCE TO BUDGET FARES. WE EXPECT STRONG BRITISH INTERESTS IN TRANSATLANTIC FARES WILL COME INTO PLAY IN CAA FORUM. END SUMMARY.

1. PAN AMERICAN BERLIN STATION MANAGER JACOBY TOLD US THAT HE HAD BEEN AWARE FRG FEDERAL MINISTRY OF TRANSPORT (FMT) HAD FOR SOME WEEKS BEEN CONSIDERING SEVERAL APPLICA-  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 USBERL 00777 01 OF 02 060841Z

TIONS FOR CHEAPER TRANSATLANTIC FARES FROM LUFTHANSA AND PAN AMERICAN. LATE FRIDAY MARCH 31 JACOBY RECEIVED NEWS OF FMT APPROVAL OF PAN AM "SUPER APEX" AND COMPARABLE LUFTHANSA "HOLDIAY FARES;" IN SAME MESSAGE HOWEVER FMT NOTIFIED ITS REFUSAL TO APPROVE EVEN CHEAPER "BUDGET FARE" FOR WHICH ONLY PAN AMERICAN HAD APPLIED. THIS NEWS RECEIVED EXTENSIVE COVERAGE IN MAJOR BERLIN NEWSPAPERS

THE NEXT DAY. PAPERS NOTED THAT FMT HAD REJECTED BUDGET FARES BECAUSE THEY WERE SO LOW THAT EXPENSES WOULD NOT BE COVERED AND THEY WOULD VIOLATE GERMAN/AMERICAN AVIATION AGREEMENT WITH RESPECT TO OVERALL PROFIT LEVELS ON REGULARLY SCHEDULED FLIGHTS.

2. ALSO ON SATURDAY APRIL 1 PANAM BERLIN STATION RECEIVED INSTRUCTIONS FROM NEW YORK HEADQUARTERS TO ANNOUNCE INTRODUCTION OF BUDGET FARES IN BOTH DIRECTIONS BETWEEN BERLIN AND THE USA. (PAN AM HEADQUARTERS' TELEX ALSO SUGGESTED USA-FRANKFURT ONE-WAY BUDGET FARES ALSO APPROVED--A THORNY ISSUE WE ASSUME EMBASSY BONN IS PURSUING.)

3. NEWS OF THESE VERY CHEAP BUDGET FARES IMMEDIATELY RECEIVED WIDE BERLIN TELEVISION AND NEWSPAPER COVERAGE. BERLIN MAYOR AND SENATOR FOR ECONOMICS WOLFGANG LUEDER, WHO IS LEADER OF THE FDP IN BERLIN, WHOLEHEARTEDLY WELCOMED THE INTRODUCTION OF THE BUDGET FARES AS AN "EXCELLENT OFFER" FROM THE BERLIN POINT OF VIEW. LUEDER SAID THE CHEAP FLIGHTS WOULD BE A STIMULUS TO BERLIN AVIATION AS WELL AS A FURTHER EXAMPLE OF THE ALWAYS DESIRABLE INCLUSION OF BERLIN IN AN INTERNATIONAL AIR NETWORK.

4. THE ANNOUNCEMENT OF THE BUDGET FARES ALSO SPARKED A WEEKEND PRESS STATEMENT BY THE FMT, WHICH WAS CARRIED IN ALL SUNDAY NEWSPAPERS. THE GIST OF STATEMENT WAS BUDGET TARIFFS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 USBERL 00777 01 OF 02 060841Z

"UNILATERALLY APPROVED BY THE USG" WERE VOID BECAUSE THE FRG HAD NOT APPROVED THE FLIGHTS BETWEEN THE US AND FRG AND THE LOWER BERLIN-USA FARES DID NOT HAVE APPROVAL OF THE THREE ALLIED CAAS WHO "AS A RULE COORDINATED SUCH DECISIONS" WITH THE FRG. MOREOVER, FMT ANNOUNCED IT WOULD INITIATE PROCEEDINGS TO FINE PAN AMERICAN SHOULD IT BE ESTABLISHED THAT PANAM HAD SOLD BUDGET FARES TO PASSENGERS ENROUTE USA-FRG. THE BERLIN CDU ISSUED A STATEMENT APRIL 4 WELCOMING THE BUDGET TARIFF WHILE CRITICIZING WHAT IT TERMED AS A THREAT TO FINE PANAM. CDU SPOKESMAN WRONSKI FOUND IT IRONIC THAT FOR YEARS THE FEDERAL GOVERNMENT HAD BEEN ABLE TO DO NOTHING ABOUT THE DISCRIMINATORY ACTS AGAINST BERLIN AIR SERVICES BY BULGARIAN, RUMANIAN, AND TURKISH AIRLINES, YET IT WAS QUICK TO MOVE AGAINST AN AIRLINE WHICH WAS ACTING IN THE INTERESTS OF BERLIN.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 USBERL 00777 02 OF 02 060909Z  
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00  
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 SS-15  
NSC-05 IO-13 /069 W

-----012063 060925Z /20

P R 060730Z APR 78  
FM USMISSION USBERLIN  
TO SECSTATE WASHDC PRIORITY 6561  
AMEMBASSY BONN PRIORITY  
INFO AMEMBASSY BERLIN  
AMEMBASSY LONDON  
AMEMBASSY PARIS

LIMITED OFFICIAL USE SECTION 2 OF 2 USBERLIN 0777

5. WHEN WE SPOKE TO JACOBY ON TUESDAY, APRIL 4, HE WAS JUBILANT OVER RESPONSE TO BUDGET FARE ANNOUNCEMENT; PANAM BERLIN RESERVATION OFFICE HAD RECEIVED 128 BOOKINGS FROM BERLINERS THE PREVIOUS DAY AS WELL AS NUMEROUS INQUIREIS FROM GERMANS RESIDENT IN THE FRG WHO WERE INTERESTED IN FLYING TO BERLIN TO TAKE ADVANTAGE OF THE BUDGET FARE. JACOBY ADMITTED RUEFULLY THAT HE HAD HAD SECOND THOUGHTS ABOUT INTRODUCING BUDGET FARE WITHOUT CAA APPROVAL. ACCORDINGLY, ON MONDAY, APRIL 3, HE HAD PERSUADED PANAM'S MANAGER FOR GERMANY (BERNACCHIA) TO QUESTION THE NEW YORK HEADQUARTERS' CONTENTION THAT APPROVAL OF US CAAS NOT REQUIRED FOR INTERNATIONAL TARIFFS. ACCORDING TO JACOBY NEW YORK HEADQUARTERS CLAIMED IT WAS ON FIRM LEGAL GROUND IN INTRODUCING FARES WITHOUT CAA APPROVAL, WHO IN NEW YORK'S VIEW WERE RESPONSIBLE ONLY FOR DOMESTIC LFIGHTS. THIS VIEW CONVEYED BY PANAM TO LOCAL PRESS AND TELEVISION WHICH PLAYED IT UP APRIL 3 AND 4. HOWEVER, SPANDAUER VOLKSBLATT CORRECTLY SPELLED OUT CAAS' APPROVAL AUTHORITY.

6. AS JACOBY SEEMD VAGUE ABOUT CAAS' RESPONSIBILITIES WITH RESPECT TO INTERNATIONAL FIGHTS, WE NOTED THAT CAAS LAST  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 USBERL 00777 02 OF 02 060909Z

YEAR APPROVED TARIFFS FOR OVER 9,000 SUCH FLIGHTS. WE ALSO OUTLINED THE EMBASSY'S EXCELLENT JUSTIFICATION FOR THE CAAS' RESPONSIBILITIES WITH RESPECT TO INTERNATIONAL FLIGHTS (PARA 4, REF A). WE EXPECT JACOBY WILL BE TRANSMITTING THESE POINTS TO NEW YORK.

7. JACOBY ADDED THAT ANY INSTRUCTION FROM THE CAAS FORCING

A RECISSION OF THE FARES, HOWEVER "TEMPORARY," WOULD HAVE "DISASTROUS" CONSEQUENCES. HE ACKNOWLEDGED THAT PRECIPITOUS ACTION BY NEW YORK HEADQUARTER PUT HIM IN A BAD SPOT.

8. COMMENT: AS BRITISH HAVE LONG HAD VERY STRON VIEWS ON TRANSATLANTIC FARE QUESTION, WE EXPECT THEY WILL WANT TO PROTECT THEIR INTERESTS IN CAA FROUM IN BONN. BRITISH AIRWAYS BERLIN MANAGER WOLFGANG GRUND CONFIRMED PRESS REPORTS OF BA'S INTENTION TO APPLY FOR FARES SIMILAR TO BUDGET FARES BETWEEN BERLIN AND THE USA. GRUND CAUTIONED, HOWEVER, THAT BA MAY HAVE GREATER DIFFICULTY THAN PAN AM IN GAINING APPROVLA FOR SUCH FARES BECAUSE BA DOES NOT HAVE A DIRECT BERLIN-USA FLIGHT; PANAM DOES. PANAM MANAGER JACOBY TOLD US FROM HIS POINT OF VIEW IN BERLIN HE WOULD HAVE NO OBJECTION TO A SIMILAR BA FARE.

9. SENAT REACTION WAS INTIALLY EUPHORIC, BUT SOME CAUTION IS NOW CREEPING IN. ON APRIL 3 MAYOR STOBBE TOLD MINISTER THAT U.S. DECISION ON CHEAP FARES FROM BERLIN WAS VERY MUCH APPRICIATED. NEXT DAY HOWEVER, SCHULZE, CHIEF OF SENAT POLITICAL SECRETARIAT, TOLD US THAT ALTHOUGH THE CHEAPER FARES WERE WELCOME, THE IDEA THAT THEY WERE INTRODUCED AGAINST FRG WISHES WAS GOING TO CREATE TROUBLE. END COMMENT. GEORGE

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AIR FARES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 06 apr 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978USBERL00777  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780148-0651  
**Format:** TEL  
**From:** USBERLIN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780483/aaaacsux.tel  
**Line Count:** 193  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 6eb2d4b4-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 BONN 5956, 78 STATE 85471  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 31 mar 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3048399  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CIVAIR: PANAM'S BUDGET FARE IN FRG AND BERLIN  
**TAGS:** EAIR, PGOV, WB, GE, UK, FR, PANAM  
**To:** STATE BONN  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/6eb2d4b4-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014